

***Evaluation of the Ancillary Non-Gaming
Amenities Proposed by Kansas
Entertainment for the Gaming Facility
Located in the Northeast Zone,
Wyandotte County, KS***

***Prepared for the Kansas Lottery Gaming Facility
Review Board***

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Introduction

In '08, The Kansas Lottery Commission through the independent Lottery Gaming Facility Review Board, reviewed gaming application proposals for four Gaming Zones. The result of this process was that only the Dodge City proposal in the Southwest Zone was awarded a license. In '09, the Review Board is now considering applicant proposals for the Gaming Zones in Sumner and Wyandotte counties. Originally in 2009, when Raving Consulting Company was engaged for this project, there were three applicants for Wyandotte County and two for Sumner County.

Raving was retained by the Kansas Lottery Gaming Facility Review Board to assess the Non-Gaming Ancillary Amenity Development portion of each current applicant's proposal to determine to what extent the proposals comply with the stated goals of Senate Bill 66, that is: 1) Maximize revenues for the State of Kansas, 2) Promote tourism, and 3) Serve the best interests of the State of Kansas. There is also the inherent, subsequent goal(s) of creating jobs, promoting the infusion of capital infrastructure improvements, and allowing the State of Kansas to keep consumer spending at home.

Raving faced a number of challenges in executing this consulting project for the Review Board:

1. Becoming familiar with the 2008 history of the Kansas casino license bid process and the kinds of proposals (especially the non-gaming amenity components to the proposals) that were put forward in 2008.
2. Not duplicating any of the voluminous information already compiled or the extensive consulting work already performed in 2008.
3. With the number of bidders quickly reduced from five bidders (when Raving was first engaged) to two (one each in the Northeast and South Central Zones), it became necessary to create an alternative method of assessing non-gaming amenity value for the State of Kansas, with comparisons BETWEEN bidder packages no longer possible.
4. The previous PROBE consulting report, while full of some instructive data, did not appear to offer the Board enough position-taking consulting opinions that would strongly suggest which gaming amenity packages might be best for the State of Kansas (answering the question as so well put by one Board member, "What decision would you make if you were us?").

To meet these and other challenges of this non-gaming amenity review project for the State of Kansas, Dennis Conrad and Scott Cooper of Raving executed the following:

- Review of extensive information created over the last two years for the Lottery Gaming Facility Review Board by the various consultants it employed and from the various bidders and other entities that submitted information to the board.

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- Participation in an all day, all consultants' preliminary meeting in Reno, Nevada.
 - Several discussions with Dr. Bill Eadington regarding the non-gaming amenities portion of the consulting work for the Board.
 - Hearing in person the Lakes Entertainment bid proposal in Sumner County and the Kansas Entertainment bid proposal in Wyandotte County.
 - Visiting the major casino competitors' sites in Kansas City, MO, plus the tribal casino (7th Street Casino) in Kansas City, KS.
 - Numerous discussions among the Raving consultants to decide what information was most meaningful, what our conclusions regarding the non-gaming amenity proposals would be and how to present that information to the Board in a way that would help them make a decision, not just review charts, graphs and projections.

It is important to note that Raving did consider carefully the following:

1. The breadth and scope of market
2. How the non-gaming amenities proposed create and promote tourism
3. Jobs creation
4. How the non-gaming amenities proposed translate into maximizing gaming revenue

But it is also important to stress to the Board that the two Raving Consultants executing this project for the State of Kansas are very experienced casino operators, one with extensive experience at casino properties with various and instructive non-gaming amenities, and the other with extensive experience in marketing a wide range of amenity packages for a wide range of casino clients. We would be remiss to not bring this wide-ranging experience, plus our knowledge of Lakes Entertainment and Penn National Gaming, to bear on behalf of the Review Board and the State of Kansas.

Raving Consulting Team

Dennis Conrad – Founder, President, and Chief Strategist of Raving Consulting

Dennis has 34 years of gaming industry experience and has held a number of senior level positions for major gaming companies. He is considered one of the gaming industry's marketing experts and preaches common sense, meaningful marketing principles and customer focus.

Dennis' company, Raving Consulting, has worked with scores of casinos around the world over the past 11 ½ years. Raving specializes in casino marketing, casino customer service program development, strategy development, casino conferences, and access marketing for gaming vendors. Raving has executed numerous marketing assessments for casino companies and helped many of them develop strategic marketing plans, which often have included how to leverage existing casino/hotel amenities.

Scott Cooper – Consultant

Scott has almost 30 years of experience in the gaming industry with extensive expertise in opening nine start-up projects in six new jurisdictions, as COO of several gaming companies, and he has worked at many properties as General Manager, responsible for the overall operation of these land based, riverboat, racino, and Native American casinos.

All of the start-up experience has been in a "locals" type environment. In addition, Scott has led the operational development of four major expansions of existing casinos, ranging in infrastructure investment from \$110m to \$400m.

Inherent with each start-up and existing casino expansion project was the need to provide hands-on leadership, the creation/execution of the business plan, hiring and training of the management staff, development of the internal controls, the establishment of a working relationship with local governments and state regulatory agencies, and the responsibility to create and execute each property's marketing programs.

Methodology

Raving Consulting Company used the following methodology in executing the review of the non-gaming ancillary amenities for the Kansas Lottery Gaming Facility Review Board:

1. Gather information – as new consultants to a review process that was (regrettably) into its second year, it was important for Raving to build a knowledge base. This was accomplished through a review of all past available information (reports, proposals, shared communications, etc.), discussions with other project consultants, site visits (including visits to competitor’s facilities in Kansas City, MO and Kansas City, KS).
2. Decide what information was most pertinent – this was done through extensive discussions between the Raving Consultants, with assistance provided from other consultants on the project.
3. Draw consulting insights – regarding non-gaming ancillary amenity development that would be helpful to the Review Board in making its decisions.
4. Share the consulting insights in a simple, clear, logical way – it was here that the Raving Minimum Amenity concept, the Raving Marketing Matrix and the Operational Amenity Review were established, to create evaluative mechanisms for processes that had been reduced to single bidders, with non-gaming amenity proposals that had been pared back dramatically from the amenity-rich proposals of less than a year earlier.

From Raving’s perspective, the question for the State of Kansas has changed from “Which bidder has the BEST non-gaming ancillary amenity package (the most and best “deal sweeteners”)?” to “Does either bidder have ENOUGH of a non-gaming ancillary amenity package to merit selection?” And in the current economic environment, this seemingly simple question has complexities and challenges that make it difficult to answer. Hopefully Raving’s methodology, work and developed consulting insights will shed light on this question for the State of Kansas.

Key Information Reviewed

The following information reviewed by Raving Consulting Company was considered most important to the consultants in its analysis of the Kansas Entertainment Project:

Item: The Population Within 100 Miles Of The Site Is Just Under 3 Million People.

Source: Innovation Group

Importance: Suggests Market Depth And Optimal Number Of Amenities Necessary For Project

Item: The Number Of Adults Over The Age Of 21 Within 25 Miles Of The Site Is Almost 1.1 Million.

Source: Innovation Group

Importance: Again, Suggests Market Depth, Optimal Number Of Amenities And Significant Number Of Potential Customers 21-35 Years Old

Item: The Legends Mall Complex, Which Attracts Approximately 10 Million Visitors A Year, Is Next Door To The Proposed Facility. The Mall Has Over 90 Shops And Restaurants. Featured Retailers Include Cabela's, The Great Wolf Lodge, And The Nebraska Furniture Mart, All Attractions In Their Own Right.

Source: Various Legends Mall and Village West websites

Importance: Synergy Opportunities And Presence Of Existing Hotel Base

Item: The Site Is Located At The Junction Of I-70 And The 435. The Kansas Department Of Transportation Indicates That The Average Daily Traffic Count That Passes By On These 2 Major Roadways Are 43,500 On I- 70 And 43,100 On The 435.

Source: KDOT

Importance: Suggests Significant Ability To Capture Traffic (Including Tourists) On Major Arteries Near The Site

Item: Neighboring Johnson County Has The Highest Median Household Income Of Any County In Kansas And The 19th Highest In The Country. Johnson Also Has The 3rd Highest Estimated Buying Income Per Household Of Any Of The Larger Counties In The Country.

Source: Raving Internet Research (Wikipedia)

Importance: Suggests Customer Base With Excellent Disposable Income

Item: Kansas Entertainment Is Not Proposing To Have A Hotel Or Any Convention/Meeting Space At Opening. However, There Are 10 Hotels With Approximately 1,000 Rooms Within Minutes Of The Speedway. Among These 10 Hotels Are Two, The Great Wolf Lodge And Chateau Avalon, Which Are Considered To Be Upscale.

Source: Raving Internet Research

Importance: Again, Synergy Opportunity With Nearby Hotels And Suggests Some Ability To Overcome Lack Of Hotel In Phase 1 Opening

Item: The Major Threat To The Proposed Facility Are The Four Major Casino Facilities Located Just Across The Border In Missouri. This Competition Shares The Population Of The Greater Kansas City Market. Combined, These Facilities Have A Total Of 834 Rooms, Approximately 8,000 Slots, 170 Table Games, 43 Live Poker Tables, 26 Restaurants, And Many More Amenities Such As Convention/Meeting Space, Entertainment Venues, Nightclubs, Etc.

Source: Raving Internet Research

Importance: Suggests Keen Competition And Potential Aggressive Response To New Market Entrant

Raving's Non-Gaming Ancillary Amenity Development Scorecard

Raving believes it is most relevant to consider the non-gaming ancillary amenity development from the perspective of answering two critical questions; 1) To what extent do the amenities contribute to the ability of the facility to increase business over an extended period of time so as to realize the goals as stated in Senate Bill 66?, 2) Will the amenities drive business above a basic core level so as to drive tourism or just promote local business?

The Raving Minimum

Since there is only one bid for the Northeast Zone, Raving will address these critical questions by first determining what, in our opinion, the basic core level of amenity development (the Raving Minimum) should consist of, as follows:

- Hotel – A hotel of at least 200 rooms with a level of finish consistent with the mid-range hotel product in the area. The hotel should include at least a small sized fitness center.
- Food – A mix of food product that provides a sufficient variety of outlets to offer customers food options. Also, the quality of food product should be such that customers will stay on site through a meal period to maximize their time at the facility. At a minimum, this food product should include a buffet (350 seats), a higher end product such as a Steakhouse or Italian restaurant (100), a casual outlet that provides breakfast, lunch, and dinner (150), and a deli type outlet (50). Food should be available 24 hours per day.
- Beverage – The casino should have a minimum of two bars. One should be large enough to be able to offer live entertainment. One of the bars should have bar top slot machines.
- Convention/Group/Meeting Space – The facility should have convention/meeting space of sufficient square footage to accommodate a minimum of 800 to 1,000 customers theater style and approximately 700 customers for a sit down dinner event. This roughly equates to building convention/meeting space totaling approximately 15,000 sq. ft. This space should also be flexible to provide smaller break out rooms, either in the main ballroom area or in dedicated smaller rooms adjacent to the main ballroom. If this space is to be used as a multi-purpose venue, then the size of the ballroom should be increased to accommodate a minimum of 1,600 customers.
- Pool Area – The facility should have a pool area.
- Parking – The facility should have a minimum of 2,500 parking spaces for customer self -service parking, 300 spaces for valet, 400 for employee parking, and a portion of the customer parking should be able to accommodate RV parking.

- Retail /Gift Shop – The facility should have dedicated retail space of a minimum of 800 sq. ft.

With the basic core level of amenity development defined above and as a way to measure the proposed amenity development against this basic core level, Raving has used a "scorecard grade" method as outlined in the following chart to assess the likelihood that the proposed amenity development (by amenity) will enhance the ability to grow revenue above a baseline level.

Specific departmental amenities that meet, in our opinion, a minimum basic core level will be assigned a zero (0) "grade." Amenities that, in our opinion, contribute to increasing gaming revenue and visitation will receive a rating of + 1 to + 3 (+ 3 the highest). Amenity development that, in our opinion, will not drive gaming revenue or visitation above a baseline level (in fact may inhibit it) will receive a rating of - 1 to - 3 (- 3 the lowest).

Since the proposed non-gaming amenities in Phase I are minimal, Raving has considered the potential scope of future amenity development and has assigned each possible future amenity a "grade" based on our opinion of how these additional amenities would contribute to maximizing revenues and promoting tourism. There is no accurate way to predict the timing of possible future amenity development, so the "grade" given is based on the addition of the amenity without regard to the timing. It is assumed that the opportunity to maximize revenues for the State of Kansas is to add amenities sooner rather than later.

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	0	
Food / Restaurants (4)	0	
Casino Bars (2)	0	
Convention/ Mtg. Space (15,000 sq. ft.)	0	
Other Amenities – Parking	0	
Other Amenities – Retail (800 sq. ft.)	0	
Total	0	

The Raving Scorecard Applied to Kansas Entertainment Non-Gaming Ancillary Amenity Development Proposal

Hotel

Kansas Entertainment has indicated that a hotel will not be included in Phase I.

The effect of having no hotel will impact the ability to maximize gaming revenue. A casino hotel customer traditionally spends more on gaming activities than non stay-over customers. The amount of extra gaming revenue potential with a hotel can be debated, but from experience a well appointed hotel product that is sized appropriate to the market adds between 10% to 20% more in gaming revenue than if there is no hotel.

Even though there is no hotel planned for Phase I, this site has a very unique situation in that there are 10 existing hotels with approximately 1,000 rooms located within minutes of the Speedway. The Legends Mall, also located within minutes of the site, is a major attraction attracting approximately 10 million visitors yearly.

Hotel Amenity Score = - 3

Restaurants

Penn Gaming is an experienced casino operator that understands the importance of offering an outstanding food product. Kansas Entertainment has proposed to build 4 food outlets for the facility - A buffet with seating capacity of 350, a Steakhouse with lounge that seats 160, a grab 'n go outlet that seats 100, and a gourmet coffee outlet open 24/7.

Kansas Entertainment has projected that an average of 8,022 customers per day will visit the facility. Penn is estimating that approximately 33% of the visitors will have something to eat during their visit. Of those, 55% will eat in the buffet. The number of customers eating during their stay is often used as a measure of how long customers will stay at the facility and the resultant ability to maximize gaming revenue.

The number of employees budgeted by Kansas Entertainment for the food / beverage department (204) seems to be on the light side, but the high numbers of covers (37% of the total) generated from the Grab 'n Go outlet will probably be accomplished in an efficient manner.

Restaurant Amenity Score = + 1

Beverage

Kansas Entertainment is proposing to build 2 casino bars for opening day. The main bar is to be located in the center of the casino, seating 150. It is large enough to accommodate high energy live entertainment. It is assumed that this bar will be a feature of the gaming floor. The second is a lounge located in the Steakhouse.

In our opinion, a casino with 2,300 slots and 86 total table games should have at least one additional casino bar, even considering that the center casino bar have a lot of seating capacity.

Beverage Amenity Score = + 1

Convention/Meeting Space

Kansas Entertainment is not planning to build any Convention / Meeting space in Phase I. The absence of any convention/meeting space also makes it difficult to hold player events, promotions, dinners, etc. which is an important ingredient in building an effective player development program by attracting higher worth gamblers.

Convention/Meeting Space Amenity Score = - 3

Other Proposed Amenities

Parking – The proposed parking capacity of 2,785 surface, 279 valet, and 500 spaces for employees should be adequate for peak periods.

Parking Amenity Score = + 1

Retail/Gift Shop – There is a planned 2,500 sq. ft. Memorabilia Gift Shop planned for Phase I. There is also a retail component planned for the gourmet coffee outlet.

Retail/Gift Shop Amenity Score = + 1

RV Parking – RV parking currently exists at the racetrack. Self contained RV parking is available in 3 different locations on the Speedway's property. It is assumed that some provision will be made in at least one of the RV areas so that this amenity is available to customers.

RV Parking Amenity Score = 0

Amenity	Raving Minimum Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	0	
Food/Restaurants (4)	0	
Casino Bars (2)	0	
Convention/Mtg. Space	0	
Other Amenities - Parking	0	
Other Amenities - Retail	0	
Total	0	

Amenity	Phase I - Built as proposed Hollywood Casino at Kansas Speedway Amenity Score	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	-3	Not planned in Phase 1; 1,000 rooms nearby
Food/Restaurants (4)	+1	Seats exceed the Raving Minimum
Casino Bars (2)	+1	Plus for one high energy, central bar
Convention/Mtg. Space	-3	None planned in Phase 1
Other Amenities - Parking	+1	Exceeds the Raving Minimum
Other Amenities - Retail	+1	Twice the Raving Minimum and add'l area
Other Amenities – RV Parking	0	Access to adjacent RV Parking
Total	-2	

Amenity	Potential Amenity Score For Hollywood Casino at Kansas Speedway	
	"Score" -3 to +3	Comments
Hotel = 200 Rooms	+ 0	Assume well appointed
Hotel > 300 Rooms	+ 3	Assume well appointed
Food/Restaurants	+ 3	w/add'l outlets, seating
Casino Bars (3)	+ 3	w/ at least 3, live entertain
Convention/Mtg. Space	+ 2	w/ at least 15k sq. ft.
Other Amenities - Parking	+ 3	With parking structure
Other Amenities - Retail	+ 2	Assume add'l stores
Entertainment Venue	+ 2	1.8k seats, multi-purpose
RV Park	+ 2	50 space, full hookups
Truck Parking	+ 2	Room for 100 trucks
Spa - Fitness	+ 2	w/ 8 rooms, 600sf fitness
Pool	+ 1	Indoor preferred
Total	+25	

The Raving Amenity Scorecard Comparison would indicate that Kansas Entertainment's non-gaming amenity package proposed for Hollywood Casino at Kansas Speedway does not reach the "Raving Minimum" and is significantly less than a robust non-gaming amenity package with numerous features. It is estimated that the opening of this facility will not impact local businesses to any great extent and, in fact, might even speed up the addition of external infrastructure development that is already planned for the area. For example, a 90,000 sq. ft. retail shopping complex is planned for the area.

Potential Marketing Impacts

As important as the scope and quality of casino non-gaming amenities are to a successful casino development project, so too is effective marketing of those amenities. Great amenities with lousy marketing will not optimize visitation or gaming revenue. Likewise, a paucity of amenities, or a casino with sub-standard amenities, can be somewhat overcome by excellent marketing, especially if it includes outstanding casino customer service.

Thus, Raving felt it was instructive to examine the stated marketing intentions of Kansas Entertainment as expressed in its responses to Raving's request for its generally envisioned marketing strategy and tactics for its proposed opening and beyond, as well in Kansas Entertainment's comments in its bid presentation to the Board on September 15, 2009. The goal here was to attempt to determine, as a positive or negative potential, marketing impact on Kansas Entertainment's proposed non-gaming amenities. Knowledge of Penn National Gaming's current amenities and marketing strategies at its other casino properties, both current and past, also contributed to the discussion that follows.

THE RAVING MARKETING MATRIX

The Raving Marketing Matrix was created to assess applicants' stated marketing goals and philosophies to reasonably gauge whether marketing might create some potential visitation and revenue upside for the applicants' stated non-gaming amenity packages, whatever they may be.

The following marketing elements were assessed:

- **Pre-opening Marketing Spend** – is the marketing spend adequate and targeted to create awareness of the new casino facility, including its amenities?
 - 1 **Inadequate** – marketing spend too little (or too much and wasteful) or not focused on appropriate opening goals
 - 0 **Adequate** – marketing spend reasonable and mostly focused on appropriate goals for opening
 - +1 **Superior** – marketing spend reasonable, measurable and highly focused on pre-opening goals
- **Brand** – does the applicant already have a strong brand in place, or focused plans to create such a brand and are the non-gaming amenities integral parts or potential beneficiaries of this brand?
 - 1 **Inadequate** – lacks a reasonable brand building strategy and an appreciation of the value of a positive casino brand image

0 Adequate – has a reasonably well articulated brand building strategy that is mostly appropriate to support the marketing goals of the casino and generally resonates with the casino customers it is attempting to attract and retain

+1 Superior – has a sharp, well defined brand strategy that creates compelling reasons for trial and strongly resonates with casino customers because it is clearly based on what is important to them

- **Marketing Reputation** – does the applicant have a gaming industry reputation for being an effective marketer?

-1 Inadequate – not known for experienced or effective marketing, behind the curve in understanding and utilizing current and accepted casino marketing practices

0 Adequate – known for reasonable understanding and utilization of accepted industry standard casino marketing practices that achieve mostly positive results

+1 Superior – known for industry leading casino marketing practices that are proactive, multi-faceted, measurable and based on solid casino marketing principles

- **Database Marketing/VIP Player Focus** – does the stated marketing plan of the applicant adequately utilize casino industry standard practices of database building and segmentation with a special emphasis on the VIP player base, and are the amenities utilized to maximize the benefit of these techniques?

-1 Inadequate – little focus on database building, database management and VIP Player services as a cornerstone of effective casino marketing

0 Adequate – reasonable understanding and utilization of accepted casino marketing database management strategies and services, with mostly positive marketing results

+1 Superior – industry leading understanding and usage of database management as a cornerstone of effective casino marketing, with a highly evolved and measurable program for finding and growing the premium customer base

- **Integrated Marketing** – does the applicant have an appreciation of marketing as a “way of doing business,” with a keen appreciation of community and employee relationships, the importance of excellent customer service, customer friendly operational business practices, and other elements that might enhance the amenity experience for casino guests?

-1 Inadequate – views and operates the marketing function as wholly separate from casino operations and ignores casino employees and casino communities in the execution of casino marketing strategies and tactics

0 Adequate – has reasonable appreciation of the importance of casino employees and casino communities in the execution of marketing strategies and generally involves those constituencies with mostly successful results

+1 Superior – practices industry leading concepts for involving casino employees and casino communities in integrated marketing efforts, recognizing the role that motivated and informed casino employees and appreciative nearby communities play in promoting casino entertainment and building loyal customers

- **Food as a Marketing Tool** – does the applicant’s marketing plans and stated intentions indicate an appreciation of the value of a quality food offering as an important tool in driving visitation and increasing retention?

-1 Inadequate – views food service as a distraction from the core gaming product and something that should be minimally offered, with minimal marketing and minimal expense

0 Adequate – generally understands the role of food and restaurants in their ability to produce casino visitation and will typically utilize them successfully in the marketing plans as an attraction and retention tool for the operations

+1 Superior – appreciates strongly the power of great food as a draw for the casino and aggressively promotes it in intelligent and aggressive ways to add value to the customer experience and revenue to the casino’s bottom line

- **Tourism and Hotel Partnerships** – does the applicant adequately address plans to partner with local tourism bureaus and existing local hotels and motels to create opportunities for tourist visitation of the casino facility?

-1 Inadequate – generally ignores local and regional tourism organizations and non-gaming hotels as possible sources of collaboration and mutual business development

0 Adequate – makes reasonable efforts to cultivate tourism organizations and local /regional hotels as business partnerships, with general success in achieving positive results in leveraging these partnerships to generate casino visitation and help to meet tourism goals

+1 Outstanding – aggressively pursues industry leading practices to secure strong relationships with local and regional tourism organizations and hotels, leading to positive, measurable impact for the casino operation

- **Bus Marketing** – has the applicant adequately addressed plans creating or utilizing bus charter programs to promote tourism and casino visitation, with reasonable use of non-gaming amenities as “hooks” to make those programs attractive to potential tourist visitors?

-1 Inadequate – generally ignores bus charter programs as a casino marketing tool and vehicle for generating casino visitation from a tourist population

0 Adequate – some utilization of regional bus charter programs with generally positive impacts on casino visitation and tourism generation

+1 Outstanding – aggressive and industry leading utilization of regional bus marketing charter programs, with clear and measurable goals that successfully expands the casino’s marketing reach to attract significant tourists to the casino

- **Advertising Efficiency** – is the applicant’s advertising adequate, cost effective, highly measurable and able to utilize amenities appropriately to drive trial to the casino?

-1 Inadequate – does very little advertising that is targeted to produce measurable response from an appropriate audience, or does expensive, extravagant advertising that consumes marketing dollars at the expense of more important marketing tactics

0 Adequate – conducts mostly meaningful advertising in appropriate media and is usually measurable as it reasonably drives trial or creates brand awareness

+1 Superior – executes industry leading advertising in highly targeted media, is very measurable and leverages significant cooperative partnerships and an effective public relations capacity to maximize impact

- **Listening to Guests** – has the applicant appropriately addressed how it intends to gather guest feedback regarding the casino (and amenity) experience, in the form of customer satisfaction surveys, comment gathering programs and the like?

-1 Inadequate – has no or very little information gathering (formal or informal) as to casino guests’ likes and dislikes with their casino entertainment experience

0 Adequate – conducts a reasonable amount of guest research (formal or informal) and generally utilizes the information to improve the guest experience

+1 Superior – executes highly focused guest research at multiple listening posts and significantly utilizes the gathered information to improve the guest experience and improve financial performance

- **Other Factors** – are there any other significant factors in the applicant’s marketing plans that might significantly impact how the casino’s amenities might positively or negatively impact the financial performance of the casino operation?

-1 Inadequate – generally has no additional marketing features or potential property leverage points that could create additional marketing impact

0 Adequate – generally has some additional marketing features or property leverage points that can create additional marketing impact

+1 Superior – has a significant number of additional marketing features and property leverage points that create a high likelihood of achieving additional marketing impact

RAVING MARKETING MATRIX SCORING SCALE

-4 to -11 Inadequate – unlikely to achieve additional marketing impact on financial performance

-3 to +3 Adequate – likely to achieve an average, mostly adequate marketing impact on financial performance

+4 to +11 Superior – likely to achieve a superior marketing impact on financial performance

RAVING MARKETING MATRIX AS APPLIED TO KANSAS ENTERTAINMENT AND ITS HOLLYWOOD CASINO AT KANSAS SPEEDWAY PROJECT

Categories	Kansas Entertainment Score
Pre-Opening Marketing Spend	+1
Brand	0
Marketing Reputation	+1
Database/Player Development Focus	+1
Integrated Marketing	0
Food	+1
Tourism and Hotel Partnerships	- 1
Bus Marketing	0
Advertising Efficiency	+1
Listening to Guests	+1
Other	+1
TOTAL	+6

Discussion of Kansas Entertainment Marketing Plans for Hollywood Casino at Kansas Speedway

Pre-Opening Marketing Spend

Kansas Entertainment's estimate of a pre-opening marketing budget of \$1.7 million appears to be more than adequate, although the discussion of that spend centered solely on advertising (25% TV, 25% Radio, 20% Print, 20% Outdoor, 5% Online and 10% Promotional/Entertainment/Misc).

The advertising mix would appear reasonable by industry standards. One concern would be that there was no mention in Kansas Entertainment's written comments of any pre-opening marketing spend against direct marketing to known gamers. However, in Penn National's portion of the proposal presentation to the Board it indicated strongly that it would utilize its Argosy Riverside database for "immediate population" of the Penn Hollywood/Kansas Speedway potential customer list.

Raving Marketing Matrix Grade = +1

Brand

The issue here is not the lack of a brand, but the fact that arguably, there are three brands involved: Hollywood Casinos, Kansas Speedway and to some extent, NASCAR. There was no mention made of what the Penn/Kansas Speedway/NASCAR amalgamated brand concept might be. "Hollywood" is certainly an emerging and positive casino brand but the fair brand question remains as to whether the project will be more of "a speedway with a casino" or a "casino at the speedway" (or something else altogether).

Matrix Grade = 0

Marketing Reputation

Penn National Gaming has an outstanding marketing reputation in the gaming industry and a marketing philosophy that allows its individual casino properties (who should know their market best) to define their own marketing strategies and tactics, with Penn corporate marketing available as a resource when needed. Penn's success in the Kansas City, MO market with its Argosy Riverside casino (recently

overtaking Harrah's North Kansas City for #2 in the market) is impressive, further enhancing this reputation.

Matrix Grade = +1

Database Marketing/VIP Player Focus

While not articulated thoroughly in Kansas Entertainment's written response to marketing questions, the stated post opening marketing budget percentages (43% Customer Incentives/Offerings and 39% Earned Comps) would indicate Kansas Entertainment understand the value of the "avid, experienced gamer," further confirmed by Penn National's history and marketing reputation.

Matrix Grade = +1

Integrated Marketing

Both Penn National's and Kansas Speedway's written and spoken comments regarding "community" involvement in the Kansas City area were exemplary, but neither addressed the "employee" component and how it would play into their marketing and service delivery at Hollywood Casino at Kansas Speedway.

Matrix Grade = 0

Food as a Marketing Tool

Penn's positive food reputation, Kansas Entertainment's written proposal comments on food strategy ("high quality, exemplary service, various price points") and the prominence of "Earned Comps" in the post-opening marketing budget breakdown, would indicate that Kansas Entertainment has a healthy understanding of food as a gaming business driver.

Matrix Grade = +1

Tourism and Hotel Partnerships

There was no mention by Penn or Kansas Speedway of utilizing tourism or hotel partnerships in the marketing of Hollywood Casino at Kansas Speedway. While this might be an omission, the marketing opportunities with tourism organizations and local hotels (especially with 1,000 rooms being within walking distance of the casino and no casino hotel being proposed for opening). This should be addressed.

Matrix Grade = -1

Bus Marketing

There was no overt mention by Kansas Entertainment to creating charter bus programs for potential out of market visitors to Hollywood Casino at Kansas Speedway (perhaps because of the lack of hotel at opening). It may be that other Kansas City competitors are aggressively using this bus marketing tactic (with possibly low ROI), but Penn has been known to use this tactic successfully in the past (especially at Casino Rama in Canada), where it makes sense. In this case, it may help create some tourist visitation.

Matrix Grade = 0

Advertising Efficiency

The advertising marketing plans discussed by Kansas Entertainment are aggressive and comprehensive. The post-opening advertising spend proposed (10% of the marketing budget) appears to be reasonable. Penn has a history and reputation for efficient advertising spend and focus.

Matrix Grade = +1

Listening to Guests

Both Penn and Kansas Speedway display a keen appreciation of market research and listening to customers and understanding guest preferences. They appear to especially understand the racing fans and their keen interest in the casino gaming experience.

Matrix Grade = +1

Other Factors

Although not described in the formal bid presentation or the original performance matrix, Kansas Speedway's written marketing discussion spoke of an 8,000 sq. ft., multi-purpose Entertainment Venue called Hollywood on The Roof. If it occurs, that would be a significantly positive marketing factor, as would a 2nd NASCAR Sprint Car Race if secured for Kansas Speedway. Penn and Kansas Speedway appear well aware of other potential factors with significant marketing opportunity.

Matrix Grade = +1

OVERALL RAVING MARKETING MATRIX GRADE FOR KANSAS ENTERTAINMENT = +6

This +6 Raving Marketing Matrix grade would suggest that Kansas Entertainment has a savvy understanding of effective marketing and therefore a reasonable chance of utilizing whatever non-gaming amenities it may have at Phase I Opening to exceed revenue projections to some degree.

Revenue and Jobs Comparisons as Related to Various Amenity Scenarios*

\$ in millions

all #'s are projections

Category	Total \$ Gaming Revenue	Hotel Revenue	Restaurant Revenue	Beverage Revenue	Retail Revenue	Entertainment Revenue	Number of Amenity Related Jobs			Total Jobs of Project
							Hotel	F/B	Retail	
Applicant-Phase 1 - 1st year, '13	\$ 220		\$ 11.1	\$ 4.8	\$ 2.0			206	24e	1,136
Wells/Cummings avg. Phase 1 - 1st year, '13	\$ 180									
Wells/Cummings avg. w/Raving Minimums Phase 1 - 1st year, '13	\$ 200									
If Raving Minimums Were Built Phase 1		\$ 8.0 (200 rooms)	\$ 11.0	\$ 5.0	\$ 2.0	\$ 2.4	120	210	25e	1,290 (+154)
Applicant - 2015	\$ 231		\$ 11.8	\$ 5.0	\$ 2.2			209	24e	1,151
Wells/Cummings avg. - 2015	\$ 228									
Raving Projections 2015		\$ 10.0 (250 rooms)	\$ 12.0	\$ 5.0	n/a		160	210	25e	1,360 (+224)

*This chart attempts to show the potential revenue and jobs totals in comparing various projections for various scenarios as provided by the consultants and Kansas Entertainment. It is not meant to suggest that the level of amenities is the only contributing factor into the revenue projections.

Kansas Entertainment Operational Amenity Overview

Hotel

- Not planned for Phase I

Convention/Meeting Space

- Not planned for Phase I

Restaurants

- Buffet - 350 seats. Budgeted to do 1,453 covers/day with an average cover of \$12.25
- Grab 'n Go - 100 seats, pre-packaged food, coffee, take out style. Budgeted to do 975 covers/day with an avg. cover of \$5.00
- Steakhouse - 150 seats, Lounge, budgeted to do 200 covers/day with an avg. cover of \$30.00
- Gourmet Coffee Outlet, 24/7
- Food revenue is budgeted to be \$11,183m in 2013
- Food comps are budgeted to be 46% of total revenue
- Food Cost of Goods Sold (COGS) is budgeted for a combined 44% for all outlets
- Combined - 2,628 covers/day, or 33% of the daily visitors will eat something
- The number of employees budgeted by Kansas Speedway for the food/beverage department (206) seems low considering the scope of the outlets proposed. However, Penn is a very experienced operator and the Grab 'N Go outlet should be labor cost efficient to operate

Casino Bars/Beverage Outlets

- 2 bars are planned for Phase I
- 150 seat high-energy bar in the center of the casino able to accommodate live entertainment
- A Steakhouse bar with a lounge
- A Gourmet Coffee Outlet open 24/7
- Beverage revenue is projected to be \$4,793m for 2013
- Beverage comps are budgeted at 46% of revenue
- Beverage COGS is budgeted at 18%

Retail

- 2,500 sq. ft. memorabilia branded outlet
- A portion of the gourmet coffee outlet will be dedicated to retail
- Retail revenue is budgeted to be \$2,045m in 2013
- The budget for Retail comps is zero
- Retail COGS is budgeted at 23%

Parking

- 2,785 total surface parking spaces
- 279 valet spaces
- 500 employee spaces
- The Speedway site has the potential to use existing RV campground space for the casino customers and Kansas Entertainment has indicated its intention to do so

Consultants' Conclusions

- Kansas Entertainment's non-gaming ancillary amenity package proposed for Hollywood Casino at Kansas Speedway is not extensive, but appears to have several quality elements that would serve to promote tourism and assist in promoting gaming revenue.
- If some key anticipated circumstances occur (hotel build-out, securing 2nd NASCAR race, entertainment district build-out, etc.), the Kansas Entertainment project may have the opportunity to drive significantly more tourism and gaming revenue.
- Kansas Entertainment's marketing savvy and experience is a positive and likely enables Kansas Entertainment to achieve somewhat more benefit from its non-gaming amenity package than would otherwise be realized from a less impactful marketing program or philosophy.
- The connection between auto racing and casino gaming appears to be a positive one for Kansas Entertainment if it can effectively blend several brands (Hollywood, Kansas Speedway, NASCAR) into one clear, powerful brand positioning.
- Penn National's existing player database from its nearby Argosy Riverside operation offers significant opportunity for the Kansas Entertainment operation, as does the existing International Speedway Corporation database (but to a significantly lesser extent).
- The ability to create synergy with the nearby Legends development and the adjacent hotels, will be a critical success factor in Kansas Entertainment's proposed project.
- The current Kansas City casino competition is significant, with significant non-gaming ancillary amenities, and should be expected to aggressively respond to the Kansas Entertainment's new facility after it opens.
- It is clear what the Hollywood Casino at Kansas Speedway experience would be like during busy race weeks, but the key strategic challenge appears to be "What is Hollywood Casino's experience like when the race track is dark and the vast surrounding parking areas are empty?"
- Penn National's past track record of non-gaming amenity build-out and effective casino management is impressive and likely should merit some consideration as a future indicator of Kansas Entertainment's future amenity addition intentions and their likely speed of implementation.

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Kansas Entertainment's Response to Request for Marketing Information

Question #2

Please describe specific details of the pre-opening marketing budget and the general strategy associated with how this money will be spent.

The pre-opening marketing budget will be approximately \$1.7 million. The goal of the pre-opening marketing efforts will be to create excitement in anticipation of the grand opening of a superior gaming product at the Kansas Speedway. In short a must see attraction. The efforts will not only create awareness but also educate the local populous about Kansas Entertainment and its position in the gaming industry as well as both Kansas Entertainment and ISC's role as corporate citizens within the surrounding communities.

The pre-opening will encompass a "multi-faceted advertising" campaign creating excitement and energy surrounding the first new gaming product to be introduced in the Kansas City area in over 12 years. As a part of this campaign, Kansas Entertainment / Hollywood Casino at the Kansas Speedway will sponsor a second NASCAR race at the speedway while leveraging ISC's national PR capabilities in order to increase awareness and build anticipation of the Hollywood Casino opening. The marketing synergies between the two entities will create increased anticipation for the new casino product and drive trial not only from the local Kansas City market but from regional feeder markets.

The \$1.7 million campaign will be supported through traditional media channels to include but not limited to TV, Radio, Print, Outdoor, and Online. This budget will also include promotional/entertainment allocations to increase traffic and trial on opening night.

Below are estimates of the breakdown of this budget:

TV: 25%

Radio: 20%

Print: 20%

Outdoor: 20%

Online: 5%

Promotional / Entertainment / Misc: 10%

Question #3

Please describe the initial post-opening marketing spending plans, and your philosophy to drive visitation.

The post opening strategy will be to continue the energy supplied by the grand opening buzz. The post opening annual marketing budget is expected to be approximately \$40 million and will continue to encompass the traditional marketing outlets with increased emphasis on promotional programs. Additionally, marketing efforts will continue to leverage PR opportunities supplied through the relationship with ISC to continue to garner national attention of the Hollywood Casino at Kansas Speedway. These efforts will allow the property to leverage existing PR opportunities that are available

via the NASCAR relationship and potentially partner with other sponsors of NASCAR for promotional purposes.

Along with the continuing efforts mentioned above, resources will be utilized for direct marketing. Promotional efforts will drive player card sign-ups along with card utilization so that Hollywood Casino at Kansas Speedway can capture valuable data on guest preferences. This data will allow the company to efficiently promote the facility to gaming enthusiasts and create valuable offers which will increase visitation. Increased marketing dollars will be spent on promotional efforts to drive traffic after the grand opening to allow Hollywood Casino at Kansas Speedway to increase its database size. Database growth and effective promotion will be the key to increasing visitation to the property by increasing guest loyalty.

The annual marketing spending is estimated to be allocated to the following areas:

Customer Incentives / Offers: 43%
Earned Comps: 39%
Media / Advertising: 10%
Promotions / Acquisition: 5%
Entertainment: 3%

Question #4

Please describe how you will use your non-gaming amenities to maximize gaming revenues.

Kansas Speedway:

Hollywood Casino at Kansas Speedway has committed to a \$2MM sponsorship of a second NASCAR race to be held at the Kansas Speedway. This sponsorship will create additional patron traffic during the race week but also create increased national awareness of the Hollywood Casino at Kansas Speedway. This awareness we help attract both traditional and non-traditional gamers to the new casino product. This sponsorship will be in addition to scheduled marketing spending. Additionally Hollywood Casino at Kansas Speedway will build upon relationships established by ISC in NASCAR to create attractive promotions which will drive increased visitation to the new property.

Restaurants:

Hollywood Casino will position its restaurant products as high quality with exemplary service at various price points to appeal to different customer segments. This positioning will increase trial of guests who may not necessarily be regular gaming customers. This trial will lead to increasing gaming revenues as guests will choose the facility as an entertainment option, using the restaurants as the primary driver for their visit. This will also increase word of mouth advertising within the local area which will further increase trial at the facility.

Entertainment Venue:

In the Casino, Hollywood on the Roof will provide live entertainment utilizing both local bands and name acts. An 8,000 SF Multi-Purpose venue will be utilized to drive increased patron traffic by holding events that are attractive and interesting to both traditional and non-traditional gamers. These events will drive increased traffic to the facility.

Projected Casino Visitation

Scenario A - Estimates are for year 2013

Estimates are shown in average # of visitors / day.

	# Visitors / day	Variance
Kansas Entertainment Application	8,022	
Wells Gaming Research (Phase I)	5,962	- 2,060
Cummings Associates (Phase I)	6,027	- 1,995

Scenario B - Estimates are for year 2015.

Estimates are shown in average # of visitors / day.

	# Visitors / day	Variance
Kansas Entertainment Application	8,184	
Wells Gaming Research (Phase I)	6,112	- 2,072
Cummings Associates (Phase I)	7,441	- 743

Source: Wells Gaming Research, Cummings Associates

Current Gaming Capacity

There are a total of 8 existing casinos within 100 miles of the Kansas Speedway. Most of the major competition is concentrated in the 4 large casinos in Kansas City, Missouri.

Of the 4 casinos in Kansas, only Prairie Band has hotel rooms. Prairie Band is also the closest Kansas casino to the Speedway, approximately 70 miles away and located due north of Topeka on Hwy 75.

Casinos - KC, MO	# Slots	# Tables	# Poker	# Bingo	Casino Sq Ft	# Rooms	# Food	# Parking	Conv sq. ft.
Ameristar	3,000	60	15		140,000	184	11	2,660	14,520
Penn Gaming	1,980	40	7		62,000	258	5	2,700	18,000
Harrah's	1,800	46	5		60,133	392	6	3,122	10,000
Isle of Capri	1,335	24	6		40,000		3	1,618	
Casinos - KS <100mi									
White Cloud	350	6	3	500	21,000			500	
Golden Eagle	786	13	6	368	45,000			700	15,000
Prairie Band	1,154	26	4		35,000	297	3	1,000	12,000
Sac and Fox	500	7			53,000		4	400	
Total	10,905	222	46	868	456,133	1,131	32	12,700	69,520

Source: Raving Internet Research

Non-Gaming Ancillary Amenity Development - Major Competition

Casino	Kansas Entertainment	Ameristar KC	Penn Gaming Riverside	Harrah's - North KC	Isle of Capri
Sq. Ft.	100,000	140,000	62,000	60,133	40,000
Slot Machines	2,300	3,000	1,980	1,800	1,335
Tables	61	60	40	46	24
Poker	25	15	7	15	6
Hotel					
Standard # of Rooms		172			
Premium # of Rooms		12			
Total		184	258	392	
Standard Size Sq. Ft.					
Premium Size Sq. Ft.					
Pool & Spa					
Pool					
Spa			Yes		
Restaurants					
Casual Dining		Diner	Crazy Olive's Sports Bar	Toby Keith's I Love This Bar	Tradewinds
Buffet	Buffet -350 seats	Horizons Buffet	Terrace	Yes	Calypso's Buffet
Steak House (casual)	160 seats	72 seats	The Journey	Yes	

Casino	Kansas Entertainment	Ameristar KC	Penn Gaming Riverside	Harrah's - North KC	Isle of Capri
Quick Service	Deli - 100 seats 24/7	Deli	Leo's Deli	Deli - Corner Grill	
Other	Coffee 50 seats	Oyster Bar	Zoe's coffee /pastries	Mike/Charlie's Italian	
Other		Food Court- BK, Sbarro		Starbuck's	
Other		BBQ			
Other		Amerisports Brew Pub			
Other		Star Club Members Only			
Other					
Bars					
Outlet #1	Live Entertainment - 150 seats	Amerisports Brew Pub	Crazy Olive's Sports Bar	Casino	Caribbean Cove
Outlet #2	Steakhouse Lounge - 40 seats	Casino	Casino	Casino	
Outlet #3		Casino	Casino	Casino	
Outlet #4		Casino			
Outlet #5		Casino			
Outlet # 6		Casino			
Entertainment					
Casino Area					
Other		1,384 seat Enter Venue		Nightclub	
Meeting & Convention Space					
Space Sq. Ft.		10,000	18,000	10,000	

Casino	Kansas Entertainment	Ameristar KC	Penn Gaming Riverside	Harrah's - North KC	Isle of Capri
# of Seats		Up to 450 for dinner			
# Breakout Rooms		6 - up to 160 seats	Multiple Breakout Rooms		
Other					
Retail					
Outlet #1	2,500 sq ft	Mark and Tyler	Yes	Yes	Yes
Outlet #2					
Outlet #3					
Other Amenities					
# of Parking Spaces	2,785 + 279 Valet, + 500 Employee,	2,660 Parking Structure	2,700 Parking Structure	3,122 Parking Structure	1,618
RV Parking					
Exhibition					
Golf					
Tennis					
Other		Kid's Quest			
Other		18 screen Movie Theater			
Other		Arcade			

Source: Raving Internet Research

Market Demographic Characteristics – Nearby Population

2008 Numbers	0-30 miles	0-60 miles	0-100 mi	31-60 mi	61-100 mi
Total Population	1,826,627	2,487,573	2,993,492	660,946	505,918
Average Age	36	36.5	36.6	38.2	37.1
Adult Population over 21	1,296,175	1,771,152	2,137,353	475,352	365,172
Population 45 Years +	674,025	940,303	1,146,507	267,683	205,909
Pop 45 Yr. + % to over 21	52%	53%	54%	56%	56%

Source: Probe 2008, U.S. Census Bureau

Local Hotels

There are over 100 hotels in the greater Kansas City metro market, with approximately 8,000 rooms. Approximately 40% of the hotels in the area have some convention / meeting space.

Closer to the Kansas Speedway, there are 10 hotels with a total of approximately 1,000 rooms that are within a few minutes of the proposed casino site at the Speedway. They are listed below.

Hotel	# of Rooms	\$Price Range Starts At	
Chateau Avalon	62	\$129	
Holiday Inn Express	96	\$125	
Great Wolf Lodge	281	\$109	
Hampton Inn	76	\$115	
Candlewood Suites	98	\$85	
Comfort Inn	45	\$70	
Days Inn	78	\$70	
Country Inn & Suites	117	\$100	
HIE -Bonner Springs	63	\$115	
Super 8- Bonner Sprg	83	\$89	
Total	999		

Source: Raving Internet Research